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CURRENT INTELLIGENCE DIGEST

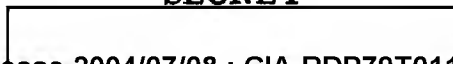
Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Poland signs trade agreement with Iran: The trade agreement between Poland and Iran was signed on 8 October in the office of the Minister of National Economy in Tehran, according to an Iranian broadcast. The agreement provides for the exchange of goods valued at 12,000,000 Swiss francs (approximately \$525,000) per year.

Iranian exports to Poland will include oil and oil products, lead oxide, manganese, hides, cotton, wool, and dried fruit, while such products as dyestuffs, china, pharmaceuticals, textiles, sugar, paper, and cement are mentioned for Polish export to Iran. According to the American Ambassador, no foreign exchange will be used in the settling of accounts.

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Comment: Negotiations for this agreement have been in progress at least since the beginning of this year. No details are yet available on the quantity of oil provided for in the agreement, which is probably at least partially political in intent. Hungary and Czechoslovakia have also signed trade agreements this year with Iran.

EASTERN EUROPE

2. Yugoslavia hints at diplomatic break with Vatican: In replying to a suggestion of the French Ambassador that Yugoslav-Vatican relations might be improved if the Yugoslav Government sent a permanent representative to the Vatican, Assistant Foreign Minister Bebler said that Yugoslavia had no intention of being represented at the Vatican and it was very likely that Vatican representation in Belgrade would soon be terminated.

Ambassador Allen notes that the Yugoslav press had opened a violent campaign against the Acting Papal Nuncio and the Vatican

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for allegedly forbidding the clergy to join government-sponsored priest associations. Allen comments that the government may intend these attacks to lead to a break of such diplomatic relations as now exist between the Vatican and Yugoslavia. [REDACTED]

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Comment: Yugoslav government-sponsored priest associations were successfully organized in parts of Yugoslavia in October, 1950, but it is only in the last two months that the government has attempted to do the same in Croatia, the traditional stronghold of Yugoslav Catholicism.

The vehemence of the Yugoslav press attack on official Church reaction to these efforts indicates that the government is determined to lessen the influence of the Church. These attacks may also be part of a planned campaign against Western influences.

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FAR EAST

3. Rhee contravenes UN orders to South Korean Navy:
President Rhee has directed his chief of naval operations to intercept Japanese fishing vessels in the Korean sea defense zone and escort them into Pusan, according to US Charge Lightner. This contravenes orders of the United Nations Command, which has assumed operational control of South Korean patrol craft in the area.

Lightner believes that Rhee should be told "in no uncertain terms" that this is a UN Command responsibility and that no contravention will be tolerated. He notes, however, that an effort to curb Rhee might raise the question of UN operational control over the South Korean Armed Forces, and the equally delicate problem of Japanese civilian personnel used by the UN forces. [REDACTED]

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Comment: The UN Sea Defense Command was recently established to preclude threatened Japanese-Korean incidents over fishing rights near the Korean coast. The move has been incorrectly interpreted by the Koreans as excluding Japanese but not Korean fishing operations in the designated zone.

4. North Korean Navy reportedly augmented by PT boats: The North Korean Navy recently received 14 patrol-torpedo craft from the Soviet Union, [REDACTED]. These boats, with their crews, are under training in Unggi harbor on the Korean east coast a few miles from the Soviet border.

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Comment: The North Korean Navy lost its small patrol-torpedo boat force at the beginning of the war as a result of US naval action.

Heightened Communist efforts to defend the east coast were evidenced by MIG-15 interception of US naval aircraft over Hungnam on the east coast on 4 and 7 October, the first such incidents in over a year.

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8. Hong Kong-Macao smuggling with Chinese Communists continues active: Seizures of smuggled cargoes by Hong Kong authorities appeared to be more numerous during August than in the past several months. Unofficial reports on smuggled cargoes between Hong Kong and Macao and China show continued interest in steel plate, galvanized iron sheets, steel strapping, rubber tires, hacksaw blades, auto parts and communications equipment. [REDACTED]

Comment: Seizures by the Hong Kong marine police and the Royal Navy show that smuggling from the British colony continues on an extensive scale despite the fairly vigorous measures taken by enforcement authorities. In the case of Macao, the authorities have failed to take energetic measures to prevent smuggling of strategic cargoes to the Chinese Communists.

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11. Rivals for Thai premiership seek additional support:
While not openly threatening each other at the present time, Police Director General Phao and Deputy Minister of Defense General Sarit are actively seeking additional political and financial support, according to the American Embassy in Bangkok. Phao is reportedly negotiating with leading supporters of former Premier Pridi, while Sarit is believed to be courting pro-Royalist leaders. Meanwhile, both are attempting to improve relations with American Embassy officials.

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The Embassy also reports that while Premier Phibun's influence has markedly declined, he is still capable of holding his office because of his ability to play upon the Sarit-Phao rivalry. [REDACTED]

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Comment: Despite recurrent rumors of a coup d'etat, the political balance of power in Thailand has changed little since the November 1951 coup. Until the Phao-Sarit conflict is resolved, however, the possibility remains that it will be settled by force.

The attempts of Phao and Sarit to curry Embassy favor mark a distinct reversal of their recent coolness toward American officials in Bangkok.

12. Phao denies Thai police knew of departure of Peiping delegates: Although asserting that he was well informed on the movements of the Thai delegates to the Peiping-Asian Peace Conference, Police Director General Phao denied that the police had prior knowledge of the delegates' intent to leave the country illegally, after the government had refused to issue them passports.

The American Embassy in Bangkok comments that Phao's statement indicates that the police do not intend to act against the delegates when they return and that they fail to appreciate the dangers of the activities of the Thai Peace Committee, sponsor of the delegation. [REDACTED]

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13. Means sought to justify advance billing for visit of American officials to Manila: Regretting that President Quirino had, for domestic political reasons, magnified the importance of the late October visit to Manila of high American defense officials and Assistant Secretary of State Allison, Philippine Foreign Secretary Elizalde is seeking a means to make the visit appear productive.

On his own initiative, Elizalde suggested to an American Embassy officer that the conferees might announce that they had discussed the Communist threat to Southeast Asia, and that President Quirino had declared the Philippines ready to make the fullest possible contribution in the event of Communist aggression there. Elizalde hoped that the Philippine declaration would cause Thailand, and possibly Burma, to make analogous statements. [REDACTED]

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Comment: Quirino's office in Manila announced to the press that at Quirino's "request," the United States was sending three high defense officials to meet Allison in Manila for a top-level conference with Quirino on the defense of the area. The Manila press has implied that the talks may cover defense of the entire Pacific area.

14. Indonesian labor federation plans workers' "national front" tactic: The conference being held through 11 October by SOBSI, Indonesia's Communist-led labor federation, and attended by WFTU Secretary Henry Turrell, is not an annual congress but a special meeting to discuss strategy and tactics. While recognizing that a people's democracy is most suitable for Indonesia and should be observed as the basic objective of their struggle, the conference suggests that such an aim should be played down. Instead SOBSI should call for the establishment of a workers' "national front."

It was also suggested that SOBSI cease to perform the functions of a political party.

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Comment: SOBSI is the largest labor federation in Indonesia, is active in a larger geographic area than any other labor federation, and unlike similar organizations, has seven seats in parliament. SOBSI lost ground to non-Communist labor organizations in 1952 and late 1951, however, and in several instances its tactics encountered stiff government resistance. Apparently its new tactic will be to camouflage its Communist character and to concentrate strictly upon labor activity.

15. Britain sees possible Burmese preparation for nationalization of British interests: The British Foreign Office expresses concern that an unfavorable decision by the Burmese Supreme Court on the constitutionality of the Burmese Government's oil venture with the Burmah Oil Company might prove to be a preliminary move toward nationalization of the oil company and other British interests in Burma.

The Foreign Office believes that the proposed Burmese financial mission to London will not be sent if the court opinion is negative on the oil venture, and indicates that under these conditions Britain would refuse any postponement or reduction of the first payment on Burma's debt to Britain.

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SOUTH ASIA

16. Nehru foresees union of French and Portuguese territories with India: In a major address at Madras on 9 October, Prime Minister Nehru complained that recent acts of violence against pro-Indian individuals in French India had made it impossible to hold a free plebiscite there on the question of union with India. He stated that French and Portuguese territories on the subcontinent "must inevitably belong to the Union of India. We are not going to discuss that basic issue. . . any longer. The only points we are going to discuss are the details which follow from acceptance of that issue."

Comment: Nehru's statements on such foreign enclaves as Pondichery and Goa, together with his attitudes on matters affecting South African citizens of Indian extraction, stand in striking contrast to his extreme sensitivity regarding any potential violation of India's sovereignty.

According to the American Consulate General in Madras, the Indian Government probably fears that a free plebiscite would not favor India.

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NEAR EAST - AFRICA

18. French officials in Tunisia are confident they control situation: French Residency officials in Tunis believe that they now have the initiative and are making headway against the nationalists. A spokesman told the US Consul General that internal differences among the nationalist leaders appear to be growing, and all evidence points to a poor nationalist showing in the UN General Assembly. [REDACTED]

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[REDACTED]

Comment: The present calm in Tunisia is more likely the result of improved discipline of Tunisian nationalists than the perfection of security controls. Some public manifestation is certain to coincide with inscription of the Tunisian question on the UN General Assembly agenda.

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24. Russians retaliate against Austrian firm subjected to export controls: American Embassy officials in Vienna report that Soviet occupation authorities are stopping all Western export shipments of mining fuses produced by Schaffler and Company, an Austrian firm located within the Soviet zone. Export shipments awaiting Soviet clearance include two consignments totalling \$700,000 destined for France. [REDACTED]

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Comment: The Schaffler Company, which produces Title I mining fuses from materials imported in large part from Hungary, has heretofore shipped about half its exports to Hungary, Rumania, and Czechoslovakia. Soviet officials have occasionally refused permits for the plant's Western shipments, and Embassy officials fear that if permits for exports to the Orbit are stopped by the Austrian Government in cooperation with COCOM controls the company will also lose the source of its materials in Hungary. An Embassy request for exception from strict enforcement of Title I controls, based on the prospects of Soviet retaliation as well as publicity and unemployment considerations, is still pending.

25. Austrian Foreign Minister calls for US action against independent press: Foreign Minister Gruber has told American officials in Vienna that it would be to the interest of both the United States and Austria if action could be taken to curb the power of the dominant independent press in the Salzburg area. Expressing concern regarding the spring elections in this area, where the local organization of the People's Party is weak and sentiment against the coalition is mobilized by independent newspapers, he stressed the "parallel menace" arising from the undermining of coalition stability and of US prestige.

Gruber called in particular for American action against the Salzburger Nachrichten as the "greatest source of local disaffection." He suggested that, since US authorities had "founded" the paper, they should either financially penetrate or neutralize it through "legal means." [REDACTED]

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Comment: Although the city of Salzburg has a Socialist mayor, its independent newspapers, which follow an anti-American line, are a potent force, particularly among radical rightist elements. Gruber's proposal for US action appears suspicious in light of his recent criticism of American "interventionism" in Austria and fairly reliable evidence that he has connections with the Salzburger Nachrichten.

26. Paris Embassy comments on Pinay's foreign policy leadership: French Premier Pinay has succeeded at least temporarily in creating considerable public and parliamentary confidence in his personal ability to handle foreign policy, the American Embassy in Paris reports. The government's firm stand on Tunisia and its success in postponing a foreign policy debate in the National Assembly is said to have pleased all non-Communist political groups.

If this new attitude persists, the Embassy believes, it will assist Pinay in obtaining parliamentary acceptance of policies which many deputies have previously regarded as mere "Schuman" policies. [REDACTED]

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Comment: Pinay's new controlling position in the field of foreign policy does not necessarily mean that he will or can win parliamentary acceptance of current European integration proposals. He has not yet clearly committed himself on the EDC, for example, and this is one of the principal targets of the extreme rightist political groups whose favor he has obviously been courting.

27. Paris Embassy comments on controversy with French over 1953 budget: American officials in Paris report that it is not yet clear whether the French Government will now refuse to discuss with NATO, as well as with the United States, the size and content of its 1953 military budget. They warn that the French in their present frame of mind could seriously prejudice the NATO Annual Review and might line up other member nations to restrict examination of military budgets.

In the opinion of these officials, Premier Pinay, hypersensitive on the subject of raising taxes, probably has inferred that the United States is seeking to encourage such a policy. His firm stand against higher taxes is already jeopardized by the concessions he has had to make to demands for increased expenditures in the civil and investment portions of the proposed 1953 budget. [REDACTED]

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29. Raids expected to strengthen French Government's case against Communists: A French Defense Ministry official has revealed that the recent anti-Communist raids are only the beginning of a series intended to strengthen the government's charge of a "plot against the external security of the state."

A primary aim of the government is to lodge charges against the arrested secretary general of the CGT, the Communist-led labor organization, bearing not only on demoralization of the army but also on CGT instructions to prevent shipment of war material. [REDACTED]

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Comment: The raids are in line with the government's increasingly nationalistic spirit. They may have been part of

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Pinay's efforts to bolster his weakening political position, and may have been timed to prevent heightened Communist activity this fall in the port areas.

LATIN AMERICA

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30. Uruguay may break relations with the USSR on 15 October:
There is a strong possibility that the Government of Uruguay will break diplomatic relations with the Soviet Union at its next National Executive Council meeting on 15 October.

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Comment: There is no other evidence regarding the agenda of the National Executive meeting. In recent years government officials and the press in Uruguay have periodically questioned the desirability of continuing relations with the USSR.

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